

Budget Brief – Capital Developments

NUMBER CFAS-05-22B

SUMMARY

UCA 63A-5-104 defines “Capital Developments” as either of the following:

- A remodeling, site, or utility project with a cost of \$1,500,000 or more
- A new facility with a construction cost of \$250,000 or more
- A purchase of real property where an appropriation is requested to fund the purchase

The State Building Board develops and maintains a Five-Year Building Program for submission to the Governor and Legislature. The book includes a priority list of capital developments, detailed information for each project recommended in the first two years of the plan, a summary of Contingency and Project Reserve balances, a leasing report, and results of facilities condition assessments including cost of needed improvements. A copy of the book is enclosed with this brief.

Capital Development requests are traditionally categorized as “State-Funded” or “Other-Funded.” State Funded requests include all projects that that are requesting general tax funds. These projects compete for prioritization in the Building Board’s plan. Other funds can be revenue bonds, donations, restricted funds, federal funds, etc., and are not prioritized by the Board.

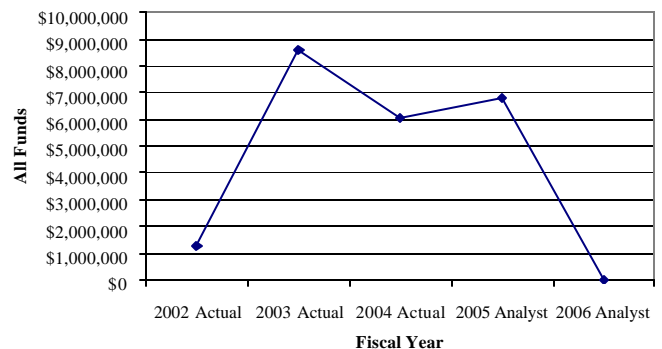
ISSUES AND RECOMMENDATIONS

Improved Building Board Evaluations

The Building Board prioritized this year’s state-funded requests using an improved evaluation method. In a public process, the board developed an objective evaluation guide based on a model developed by Ernest J. Nielsen of Brigham Young University. The basis of the guide is six strategic objectives associated with facility needs. Criteria were established for evaluating how well requests satisfied each strategic objective. While judgments and subjectivity can never be removed from facility evaluations, the Analyst believes the new evaluation system is more objective than in the past and will get better with experience.

Please see pages 1.5 through 1.9 of the board’s Five Year Book for more detail on the evaluation process.

Figure 1: Capital Budget - Not Including Capital Improvements or Bonds - Budget History



Most capital development funds are appropriated in bond bills and capital authorization bills. This chart shows capital development funds appropriated in Appropriations Acts. Few of these funds are state funds. The spike in FY 2003 represents federal funds for National Guard projects.

Retired Bonds in FY 2005

In the past two sessions the Capital Facilities Appropriations Subcommittee chose to limit facility bond authorizations to the amount of principal to be retired within the current fiscal year. Using that option the Legislature would limit facilities bonding to \$63.75 million for the 2005 General Session. Such an approach keeps debt service payments level (assuming bonding for highways follows the same pattern) but does not lower the state's indebtedness over time.

Evaluation of UCAT Projects

The Analyst is concerned that no objective evaluation system exists for deciding which Utah College of Applied Technology facility requests should be forwarded to the Building Board. The other nine higher education institutions' requests are evaluated under the Regent's "Q&P" process, which considers existing space, needed space, how well requested projects provide the needed space, whether non-state funds are available, and whether life and safety are currently at risk. Since UCAT has many campuses, the Legislature has allowed UCAT to separately submit two projects to the Building Board. This year the UCAT Board of Trustees opted not to evaluate all requests but to submit the same two projects as last year. There may have been better projects that were not considered. Since UCAT is now part of the Utah System of Higher Education, the Analyst suggests that the Board of Regents and the UCAT Board of Trustees work together to develop an objective evaluation system, or adopt an existing evaluation system such as the Q&P process or the Building Board's system.

Differences Between Q&P Prioritization and Building Board Prioritization

Because of different emphases in the two evaluation systems, the Board of Regents and the Building Board did not rank higher education requests exactly the same. Whereas the Q&P process emphasizes present and future space needs and life safety issues, the Building Board process emphasizes deficiencies in existing buildings (including life safety issues) and cost effectiveness. The Building Board weighs growth two-thirds as highly as existing deficiencies and cost effectiveness.

The top three buildings for each board were also in the other board's top three. The biggest difference occurs with the SUU Teacher Education Center, which the Building Board ranked fourth among higher education projects, but which the Board of Regents ranked last. It should be noted that both boards evaluated the SUU project prior to it becoming a proposed addition/remodel to the Old Main building.

**Higher Education Capital Development Requests
Differences in Prioritization - Building Board and Regents**

<u>Building Board</u>	<u>Points*</u>	<u>Board of Regents</u>	<u>Points*</u>
DSC Health Sci Bldg	46.1	UU Marriott Library	90
UU Marriott Library	41.1	UVSC Library	75
UVSC Library	39.8	DSC Health Sci Bldg	73
SUU Teacher Ed Ctr	39.8	USU Agriculture Bldg	72
Snow Library/Classrm	36.5	WSU Bldgs 1 and 2	70
USU Agriculture Bldg	33.9	SLCC Millcreek Ctr	69
WSU Bldgs 1 and 2	31.0	CEU Fine Arts Bldg	68
CEU Fine Arts Bldg	30.6	Snow Library/Classrm	66
SLCC Millcreek Ctr	23.6	SUU Teacher Ed Ctr	65

* Note: Point systems are different between boards and cannot be compared across boards.

Previous Higher Education Priorities

Higher education facilities occupy two-thirds of all state space and, with growth continuing throughout the system, usually receive the largest capital funding for new projects. The following table shows Higher Education's top priorities since FY 2001. Projects that were funded are lined out. However, these are not the only buildings funded with state funds for higher education. Please refer to Issue Brief CFAS-05-16 for a statewide ten-year review of all approved state-funded projects

Higher Education's Top Priorities by Institution FY 2001-2006						
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
UU	Fine Arts Museum	Fine Arts Museum	Marriott Library	Marriott Library	Marriott Library	Marriott Library
USU	Heat System Renovation	Heat System Renovation	Merrill Library	Merrill Library	Animal Sciences	Agriculture Building
WSU	Chilled Water Plant	Davis Campus	Land Purchase	Swenson Renovation	Swenson Renovation	Bldgs 1 & 2 Replacemnt
SUU	Business Building	Teacher Education	Teacher Education	Teacher Education	Teacher Education	Teacher Educ/Old Main
UVSC	Classroom Additions	Classroom Building	Wasatch Campus	Vineyard Purchase	Digital Learning Ctr	Digital Learning Ctr
SLCC	Perimeter Road/Buildings	Auto Trades Remodel	Health Sciences	Health Sciences	Health Sciences	Millcreek Center
DSC	Fine Arts Building	Fine Arts Building	Health Sciences	Health Sciences	Health Sciences	Health Sciences
Snow	Performing Arts	Performing Arts	Classroom Building	Classroom Building	Library/Classroom	Library/Classroom
CEU	Main Building Remodel	Main Building Remodel	Fine Arts Complex	Fine Arts Complex	SJC Library	Fine Arts Complex
UCAT					UBATC/USU Campus	UBATC/USU Campus
UCAT					BATC Bourns Bldg	BATC Bourns Bldg

No Oxbow Jail Purchase

Last session the Legislature authorized bonding in the amount of \$4.8 million to purchase Oxbow Jail from Salt Lake County. In addition, the Legislature appropriated \$1,540,000 from one-time General Funds, \$2,200,000 from federal VOI/TIS funds, and \$1,500,000 from Capital Improvement Funds. When it became clear that Salt Lake County would not sell the jail, the state redirected the one-time General Funds to build an inmate training center and the \$1.5 million VOI/TIS funds to capital improvements within the Department of Corrections. Senate Bill 86 proposes to redirect the authorized bonding to purchase the Bourns Building for Bridgerland ATC.

Last session the Analyst recommended that if Oxbow could not provide value to the state, the Department of Corrections should return to the Legislature with a plan that would provide a long-term solution to the state. The result is the department's request for a 288-bed facility in Gunnison.

Capital Facilities Recommendations

Please see Issue Brief CFAS-05-16 for some possible scenarios for funding capital development projects, including the Capitol Building. The Capitol Building still requires large amounts of money and can be funded with a number of different approaches. Issue Brief CFAS-05-03 outlines some possible strategies for the Capitol Building. After the Legislature prioritizes all projects, the next step will be to set parameters regarding the amount of cash and/or bonding to use, and then fit the projects in those parameters.

BUDGET DETAIL

During the 2004 General Session the Legislature used general obligation bonds to finance almost every state-funded project. The only exception was the one-time cash for renovating Oxbow.

The table below does not include any recommendations for FY 2006 because no additional funds for capital development have been allocated to the subcommittee as of this time.

LEGISLATIVE ACTION

This section is a summary of what actions might be taken by the subcommittee and recommended to the Executive Appropriations Committee for capital development projects:

1. Review and prioritize state-funded requests and recommend parameters for funding them with bonds or cash
2. Review and approve/disapprove other-funded capital development requests

BUDGET DETAIL TABLE**Capital Budget - Not Including Capital Improvements or Bonds**

Sources of Finance	FY 2004 Actual	FY 2005 Appropriated	Changes	FY 2005 Revised	Changes	FY 2006 Analyst*
General Fund	1,870,000	0	0	0	0	0
General Fund, One-time	0	1,540,000	0	1,540,000	(1,540,000)	0
Federal Funds	0	2,200,000	(700,000)	1,500,000	(1,500,000)	0
Dedicated Credits Revenue	4,200,000	0	0	0	0	0
GFR - Wildlife Resources Trust	0	250,000	0	250,000	(250,000)	0
GFR - Special Admin Expense	0	2,801,000	0	2,801,000	(2,801,000)	0
Total	\$6,070,000	\$6,791,000	(\$700,000)	\$6,091,000	(\$6,091,000)	\$0
Programs						
Capital Development Fund	6,070,000	2,801,000	0	2,801,000	(2,801,000)	0
Building/Land Purchases	0	3,990,000	(700,000)	3,290,000	(3,290,000)	0
Total	\$6,070,000	\$6,791,000	(\$700,000)	\$6,091,000	(\$6,091,000)	\$0
Categories of Expenditure						
Other Charges/Pass Thru	6,070,000	6,791,000	(700,000)	6,091,000	(6,091,000)	0
Total	\$6,070,000	\$6,791,000	(\$700,000)	\$6,091,000	(\$6,091,000)	\$0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.